MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

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Chipping Away at Transportation Revenue Would Make Marylanders' Lives Harder

Position Statement in Opposition to Senate Bill 261

Given before the Senate Budget and Taxation Committee

Motor fuel taxes are a common-sense way to ensure that the people who drive on Maryland roads pay their fair share to keep those roads in good condition, just as public transit users pay bus and rail fares to help maintain those services. Fuel tax rates increase modestly each year to keep up with inflation so that we have the revenue necessary to maintain our transportation networks as the cost of this maintenance rises. Repealing the inflation adjustment would chip away at transportation funding, forcing deeper cuts every year as costs continue to rise throughout the economy. Ultimately, working families would pay the price in the form of longer commutes and higher costs to repair neglected infrastructure. **For these reasons, the Maryland Center on Economic Policy opposes Senate Bill 261.**

Fuel tax revenues are projected to total $1.5 billion in fiscal year 2024, supplying 25% of the funding for Maryland's Transportation Trust Fund.[i] Most of this money goes to the Maryland Department of Transportation, where it supports highway repairs, public transit, the Motor Vehicles Administration, and the department's headquarters. This revenue is essential, because the Department of Transportation does not receive any revenue from the state's general fund. A portion of the Transportation Trust Fund also supports transportation investments by local governments.

Our investments in transportation are vital for Maryland's economy. Well-maintained transportation networks enable people and goods to move efficiently through Maryland, which is why business executives count transportation and shipping factors among their top-five priorities when choosing where to locate a new facility – outranking taxes, regulations, and subsidies.[ii] Our public investments in transportation also support thousands of jobs throughout Maryland.

Senate Bill 261 would reduce Maryland's capacity to invest in transportation, and the damage would grow with every passing year. Because fuel taxes are applied on a per-gallon basis rather than as a percentage of sales, annual inflation adjustment is necessary to ensure that revenue keeps up with the cost of maintenance. The result will be less upkeep for Maryland roads, bridges, transit, and other transportation infrastructure – which would ultimately harm commuters across Maryland.

State analysts in 2022 projected that **freezing motor fuel taxes at the current rate would cost $381 million over five years**.

Weakening our ability to invest in Maryland's transportation systems would likely worsen existing transportation inequities. As a result of our past choices about where and how to invest in our transportation system, Black Marylanders have longer average commutes to work than their white counterparts. The difference is widest in areas of our state where workers of color live in the highest numbers. In some areas, Black workers commute up to 55 hours more each year than their white neighbors.[iii]

There are far better ways than Senate Bill 261 to strengthen working families' finances. More effective tax policies include strengthening the state Child Tax Credit and Earned Income Tax Credit – refundable income tax credits for low-income families that can help offset gas and sales taxes. More effective transportation policy choices include strengthening investments in public transportation, which is especially important for Marylanders living on low incomes as well as many Marylanders of color.

Finally, reducing fuel taxes would further entrench Maryland's reliance on fossil fuels at a time when a shift in the opposite direction is urgently needed to reduce the damage caused by climate change. The climate crisis has already caused "irreversible impacts as natural and human systems are pushed beyond their ability to adapt" and "impacts and risks are becoming increasingly complex and more difficult to manage," according to a 2022 report by the Intergovernmental Panel on Climate Change.[iv] We should be taking bold steps to reduce our reliance on fossil fuels – instead, Senate Bill 261 would double down.

For these reasons, the Maryland Center on Economic Policy respectfully asks that the Budget and Taxation Committee make an unfavorable report on Senate Bill 261.

Equity Impact Analysis: Senate Bill 261

Bill summary

Senate Bill 261 would permanently repeal annual inflation adjustment of fuel tax rates.

Background

Fuel tax revenues are projected to total $1.5 billion in fiscal year 2024, supplying 25% of the funding for Maryland's Transportation Trust Fund.

Between July 1, 2022, and June 30, 2023, the per gallon motor fuel tax rate is equal to 42.70 cents (gasoline and clean-burning fuel), 43.45 cents (diesel fuel/biodiesel), and 7.00 cents (aviation gasoline and turbine fuel).

Over several years, surveys of business executives' site selection priorities have consistently found that highway access is among business leaders' highest priorities when choosing where to locate a new facility, outranking taxes, regulations, and subsidies.[v]

Equity Implications

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Impact

Senate Bill 261 would likely **worsen racial and economic equity** in Maryland.

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i FY 2024 Maryland budget data.

ii Geraldine Gambale, "36th Annual Corporate Survey: Executives Focus on Labor, Energy, Shipping Costs," *Area Development*, 2022, https://www.areadevelopment.com/Corporate-Consultants-Survey-Results/q1-2022/36th-annual-corporate-survey.shtml

iii Christopher Meyer, "Budgeting for Opportunity: How Our Fiscal Policy Choices Can Remove Barriers Facing Marylanders of Color and Advance Shared Prosperity," Maryland Center on Economic Policy, 2018, http://www.mdeconomy.org/budgeting-for-opportunity-health-education-transportation/

iv "Climate Change 2022 Impacts, Adaptation, and Vulnerability: Summary for Policymakers," Intergovernmental Panel on Climate Change, 2022, https://report.ipcc.ch/ar6wg2/pdf/IPCC_AR6_WGII_SummaryForPolicymakers.pdf

v Geraldine Gambale, 2022, and MDCEP analysis of historical *Area Development* business location surveys.

vi Meyer, 2018